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Before The
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)

Billed Party Preference)
for O+ InterLATA Calls)

CC Docket No. 92-77
Phase I

**SUPPLEMENTAL COMMENTS OF THE
COMPETITIVE TELECOMMUNICATIONS ASSOCIATION**

The Competitive Telecommunications Association ("CompTel"), by its attorneys, hereby submits these supplemental comments on the subject of call transfers and associated compensation requirements in response to the Commission's invitation for such comments released on November 6, 1992. CompTel is the principal trade association of the nation's competitive interexchange telecommunications carriers ("IXCs"), with approximately 120 member companies, including large nationwide IXCs as well as scores of smaller, regional carriers. Many of CompTel's members provide operator-assisted calling services either as an adjunct to their direct-dialed interexchange services or as a distinct line of business.

Summary

The initial set of comments filed in Phase I of this docket demonstrated a number of vexing problems caused by

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proprietary "0+" calling cards. Although these problems are not new, their dimensions have grown exponentially as AT&T has flooded the market with over 25 million proprietary "0+" CIID calling cards. Now millions of call attempts are made daily by AT&T CIID cardholders over the networks of operator service providers ("OSPs") which have no way of validating or billing to the end-user's calling card account number.

Since the recipient OSPs usually are unable to process the call attempts, they must "transfer" the calls to AT&T. These transfers are made in several different fashions -- redialing instructions, call reorigination and "splashing" -- and all impose severe costs upon the transferor OSP. Direct costs alone include access charges, transport to the OSP switching center, switching, and use of the operator services call handling system of the transferor OSP. Worse yet, all resulting revenue from the transferred call is paid exclusively to the transferee OSP -- AT&T. The combined effects have left competitive OSPs reeling under the crushing burdens imposed by the AT&T CIID card program.

Critically, this problem is directly and exclusively attributable to AT&T's calling card marketing strategy. For reasons of its own, AT&T has trained its base of calling card customers to dial calls on a "0+" basis and utilize access code dialing only after their "0+" call attempt fails. Moreover, AT&T has steadfastly refused to share the validation and billing information with its OSP competitors

required for them to process CIID card calls. Thus, costs imposed upon OSPs by AT&T's proprietary "0+" calling cards are largely unavoidable.

Competitive OSPs must be allowed to recover the out-of-pocket costs imposed upon them by AT&T's calling card practices. Simple fairness demands that OSPs be compensated for these costs. AT&T cannot be allowed to use the rest of the operator services industry as a cost-free referral agency for its operator services products. More importantly, AT&T should not be allowed to distort the operator services market by artificially driving up the costs incurred by its OSP competitors, by definition making their offerings less attractive, and, indeed, threatening their very existence.

Whether it is by authorizing special tariffs, ordering affected carriers to contract with one another, or some other means, the Commission should immediately order AT&T to compensate other OSPs for the costs caused them by AT&T's proprietary calling cards. Each OSP should be free to choose the method of call transfer from among a Commission-approved menu of options, and then charge AT&T accordingly for the costs incurred in actually transferring the calls. The most critical element of this relief is that participation by AT&T must be mandatory.

I. OSPs DESERVE COMPENSATION FOR COSTS INCURRED IN "TRANSFERRING" CALLS TO ISSUERS OF PROPRIETARY "0+" CALLING CARDS.

The introduction of the AT&T proprietary CIID calling card has had a shocking impact upon competition in the market for interstate operator services. The root problem is the sheer number of AT&T CIID cards and the associated calling volumes. By AT&T's own reckoning, it has issued over 25 million of these new "0+" proprietary cards to consumers since early 1991.¹ More importantly, due to their inability to validate, bill and collect for calls placed by AT&T CIID cardholders, most OSPs have experienced a precipitous decline in operator services revenues. Indeed, the Commission determined in the Phase I Order that "AT&T's OSP competitors are losing billable 0+ traffic to the AT&T CIID card of anywhere between 25 and 50 percent over previous levels."²

In earlier comments in this docket, CompTel and others explained how this revenue drain seriously distorts and impedes competition in the market for interstate operator services.³ We also explained how consumers are severely inconvenienced when the recipient OSP cannot accept the

¹ In the matter of Billed Party Preference for 0+ InterLATA calls, Report and Order and Request for Supplemental Comment, CC Docket No 92-77, Phase I (released November 6, 1992) (hereafter "Phase I Order").

² Phase I Order, p.13, n. 38.

³ CompTel Reply Comments, CC Docket No. 92-77 (Phase I), pp. 4-9. See also Phase I Order, p. 13, n. 38 and citations included therein.

caller's proffered calling card.⁴ CompTel suggested then, and still strongly believes, that these problems are best remedied by compelling issuers of "0+" calling cards to share validation and billing information with all presubscribed OSPs.⁵ Although CompTel remains hopeful that the Commission will reconsider its decision, the Commission rejected this solution in the Phase I Order.⁶

However, the Commission recognized that AT&T's deployment of its CIID card has created "an immediate competitive problem "[which] cannot be eliminated unilaterally by AT&T's competitors."⁷ The Commission found:

Because AT&T instructs its cardholders to dial 0 plus the receiving number, without first ascertaining whether AT&T is the presubscribed carrier for that line, its competitors are forced to devote their facilities to uncompletable and therefore unbillable CIID card calls. Thus, the costs incurred in processing such calls cannot be recovered from those causing the costs to be incurred.⁸

⁴ CompTel Reply Comments, CC Docket No. 92-77 (Phase I), pp. 18-20. Notably, the Commission found that CIID card customers are "understandably frustrated" when their calls cannot be completed by the presubscribed OSP, that this customer frustration often is "misdirected at the OSP," and results in a "loss of customer good will for the OSP." Phase I Order, p. 15.

⁵ See ex parte letter dated September 18, 1992 from CompTel, et al.

⁶ The confusion caused by AT&T's misleading CIID card marketing campaign has not abated. See "When Phone Chaos is in the Cards," Washington Post, p. B10, December 3, 1992, attached hereto an Attachment A.

⁷ Phase I Order, p. 15.

⁸ Id.

These costs are substantial. Whenever a competitive OSP receives a CIID card call, it incurs the following expenses:

- * LECs must be paid local access charges for delivering the calls to the OSP point of presence ("POP").
- * OSP switch capacity is lost as the switch decides where to route the call.
- * The OSP's operator call handling system is utilized to provide redialing instructions or otherwise transfer the call.

In many instances, the following additional expenses are incurred:

- * Interexchange network cost is incurred in transporting calls to and from an operator center which is distant from the originating POP.
- * Live operators must be used when calls are dialed on a "0-" or "0+-" basis,⁹ or when consumers demand further information or live operator interaction.
- * Validation expense is incurred in some instances because some switch types cannot automatically identify CIID cards.

Finally, if the call must be physically transferred to AT&T, additional costs are incurred, including without limitation:

- * Payment of terminating access charges to LECs.
- * Additional use of automated and live operator call handling systems.
- * Investment in special customer premises equipment ("CPE") which is capable of redirecting calls to AT&T.

⁹ "0-" calls occur when a caller simply dials "0" or "00" and waits for an operator to come on line. "0+-" calls occur when a caller dials "0 plus a terminating number," but fails to enter a calling card number.

Critically, these are only the direct costs imposed; substantial indirect costs are involved as well, such as the overhead entailed in developing special software and operator scripts, and handling associated customer service inquiries.

This inequity has been repeatedly brought to the Commission's attention. Over four years ago, National Telephone Services, Inc. ("NTS") petitioned the Commission to order AT&T to establish a through rate and equitably divide charges in such instances.¹⁰ NTS' estimate at the time that the direct cost of "transferring" unbillable calls to AT&T exceeded 44 cents per call went largely unchallenged.¹¹ More recently, Capital Network System, Inc. ("CNS"), filed a tariff proposing to institute a new "Interstate Common Carrier Transfer Service."¹² CNS estimated its total direct and indirect costs involved in providing the proposed call transfer to be approximately \$1.50.¹³ Similar data has been submitted in this docket and in other Commission proceedings

¹⁰ NTS Through-Rate Petition, File No. ENF-89-2, filed Nov. 15, 1988.

¹¹ See id. at nn. 2, 3.

¹² The proposed transfer service would have compensated CNS for the cost of transferring unbillable "0+" calls to AT&T. The Common Carrier Bureau rejected the proposed tariff on legal grounds. In the Matter of CNS F.C.C. Tariff No. 2, Memorandum Opinion and Order (Sept. 10, 1991), 6 FCC Rcd. No. 20, p. 5609. The Commission recently upheld the Bureau's rejection of the proposed CNS tariff. Id., FCC 92-512 (released December 2, 1992).

¹³ Id.

regarding the need to compel certain independent LECs to provide billing and collection services to OSPs.

These submissions make clear that competitive OSPs incur sizeable costs each time an AT&T proprietary card call is misdirected to their networks. The problem has grown as the volume of such calling has climbed. In its Phase I Order, the Commission correctly observed that the compensable harm realized by OSPs must be measured by the number of CIID card calls which are misdirected to their networks, not the total traffic lost by OSPs (which would include CIID calls now placed over the AT&T access code, i.e. "dial around" calls).¹⁴ CompTel surveyed its OSP membership in an effort to determine the number of AT&T CIID card calls which actually are being misrouted to other carriers today. We discovered that the volume of such calls varies markedly between OSPs, presumably due to the fact that they focus on different aggregator clienteles (i.e., payphone, hotel, prison, university, etc.) However, the CompTel survey revealed that on average approximately 11 percent of "0" dialed call attempts received by our OSP members are placed by AT&T CIID cardholders, with numbers that range as high as 23 percent of call attempts reported by OSPs which appear principally to serve the hotel/motel submarket.¹⁵

¹⁴ Phase I Order, p. 13, n. 38.

¹⁵ Survey results are based upon special studies of traffic statistics for October 1992.

These figures amply demonstrate that extraordinary costs are being imposed upon OSPs by AT&T CIID card usage.

Importantly, these costs are largely unavoidable. Once the caller dials "0 plus the terminating number", the LEC correctly and automatically routes the call to the OSP presubscribed to the line. Only after the OSP prompts the caller to enter a calling card number is the OSP placed on notice that the caller intends to use an AT&T proprietary card. By that time, much of the cost involved in operator call processing already has been incurred.

Finally, it is important to state that the problem, although large in scale, is limited in scope. It is caused exclusively by issuers of proprietary "0+" cards and the record in Phase I makes clear that, now and for the foreseeable future, only AT&T is able to issue such proprietary "0+" cards. Thus, any relief is able to be targeted directly at the only culprit in this area. Having expressly recognized in Phase I that AT&T's actions are unfairly imposing large, unrecoverable costs upon its competitors, the Commission must act expeditiously to insure that it compensates its competitors accordingly.¹⁶

¹⁶ Such compensation is in full accord with recent Commission precedent. The Commission has approved many LEC "0-" transfer service tariffs. E.g., NECA Transmittal No. 457 (July 16, 1991). And only last May the Commission ordered a number of IXCs to compensate owners of private pay telephones for costs incurred in routing access code calls to their networks. In the Matter of Policies and Rates concerning Operator Service Access and Pay Telephone
(continued...)

II. OSPs SHOULD BE COMPENSATED FOR TRANSFERRING CALLS BY TRANSFER METHODS CURRENTLY AVAILABLE.

Neither the idea or occurrence of call transfers is new. Indeed, in February 1989, the Commission ordered five OSPs to bring the subject of call "splashing" before the Carrier Liaison Committee ("CLC") of the Exchange Carrier Standards Association ("ECSA"). Soon thereafter, the CLC established a Call Splashing Task Force ("Task Force") to study the issue and report their findings to the FCC. Forty companies participated in the review in some measure, and the Task Force reported its conclusions to the FCC on June 1, 1989. The Task Force report remains the most exhaustive discussion of the topic and CompTel includes it herewith as Attachment B for the further consideration of the Commission.¹⁷

The report makes clear that there are several different ways to "transfer" calls. Each has its own attributes and drawbacks. The situation has not changed materially since the report was drafted, and today the vast majority of call "transfers" are made in one of the following three ways.

* Redialing Instructions. One popular method is to simply instruct users of proprietary AT&T cards to hang up and redial AT&T's 10288 or 1-800 access code. Many times

¹⁶(...continued)
Compensation. Second Report and Order, Docket 91-35 (released May 8, 1992) (hereafter "Payphone Compensation Order").

¹⁷ "Task Force Report to the FCC Concerning 'Call Splashing'," June 1, 1989 (hereafter "Task Force Report").

these call attempts can be identified automatically and the redialing instructions can be given by a recorded voice announcement ("RVA"); other times a live operator must explain the need for redialing to callers. Generally speaking, this transfer method works fairly well from pay phone locations. However, it is relatively ineffective for calls placed from institutional locations such as hotels and motels, where the dialing patterns differ from location to location,¹⁸ and where premise owners often require OSPs to transfer calls without the necessity of customer redialing.

* Call Reorigination. A second method of call transfer is for the OSP operator center to generate a signalling tone which activates an auto-dialing mechanism located at the premises from which the call is placed. The auto-dialer automatically dials AT&T's access code and re-routes the call to AT&T's operator center. This method has the distinct advantage of transferring the call without the need of customer redialing. In addition, since the call is redialed from the premises at which the caller is located, the ultimate billing for the call reflects the correct point of call origination. On the downside, however, call reorigination can only be employed at the relatively few locations which are equipped with properly programmed autodialers on premises. Virtually no LEC payphones, for

¹⁸ Instructing callers to dial 10288 in many hotels, for example, would result simply in them connecting to another room in the same hotel.

example, are equipped to reoriginate calls. Moreover, although technical "fixes" to both problems may be available, call reorigination sometimes is initiated by use of an annoying tone and callers sometimes must verbally repeat the number which they are calling or their calling card number to the transferee OSP's operator.

* Call Splashing. The final currently available option is for the transferor OSP's operator center to dial up the AT&T operator center through the AT&T POP located in the same city as the transferor OSP operator center. The call is in effect "bridged," using portions of both OSPs' networks to complete the connection. The advantage is that no caller redialing is required and no special equipment must be located on the caller's premises. However, AT&T contends that its operator system cannot accept the Automatic Number Identification ("ANI") digits sent to it by the transferor OSP. As a result, AT&T's billing incorrectly shows the transferor OSP's operator center as the originating point of the call.¹⁹

¹⁹ Task Force Report, pp. 12-13; Letter from W.J. Sushon of AT&T to CLC dated May 24, 1989 (attached to Task Force Report). A question was raised in the Phase I Order regarding the legality of call splashing under the terms of the Telephone Operator Services Consumer Improvement Act of 1990 ("TOCSIA"). TOCSIA prohibits call splashing "unless the consumer requests to be transferred to another provider of operator services, the consumer is informed prior to incurring any charges that the rates for the call may not reflect the rates from the actual originating location of the call, and the consumer then consents to be transferred." 47 U.S.C. § 226(b)(1)(H). CompTel members report that these
(continued...)

There is no single best method for accomplishing a call transfer. As is evident from the discussion above, the preferred transfer method varies depending upon the transferor OSP's technical capabilities, caller preference, equipment located at the originating location and the technical ability or willingness of the transferee OSP to accept calls. The only entity positioned to assess these factors on a call-by-call basis is the transferor OSP. Consequently, the transferor OSP should be free to select and effectuate the most appropriate call transfer method from among these options in any given situation.

There is a temptation to tinker with the currently available transfer methods in order to create a perfect solution to the problems encountered. Although CompTel certainly does not wish to dissuade the Commission from engaging in such an effort in the future,²⁰ we urge the Commission not to delay action on compensation while it considers these possibilities. AT&T has proven extraordinarily adept at "foot dragging" on this subject. NTS asked AT&T as early as August 1988 to interconnect with it in a way that would preclude incorrect billing of

¹⁹(...continued)
advisories can be given either by a live operator or through a series of RVAs and recorded voice prompts.

²⁰ The Commission may wish to take interim action in this Phase, and solicit further comments on long term technical improvements.

"splashed" calls.²¹ This request was repeated by other OSPs in the course of the Task Force's deliberations.²² However, AT&T steadfastly refused to interconnect directly with its OSP competitors,²³ and raised numerous technical impediments to correct billing of transferred calls.²⁴ CompTel submits strongly that payment of compensation cannot await the conduct of further discussions on the topic with a partner which may be unwilling to cooperate.

III. OSPs SHOULD RECOVER ALL REASONABLE COSTS INCURRED IN TRANSFERRING CALLS.

CompTel believes that OSPs are entitled to recover all reasonable costs incurred in physically transferring or otherwise redirecting calls placed with proprietary "0+" calling cards. These costs vary depending upon how calls are transferred. An OSP providing redialing instructions, for example, incurs originating access charges, transport cost to the OSP operator center, switch costs and the cost of using a live²⁵ or robotic operator to provide the redialing

²¹ NTS Through-Rate Petition, p. 7 & Exh. 1.

²² Letter of OSPA et al to CLC dated May 24, 1989 (attached to Task Force Report).

²³ See NTS Through-Rate Petition, p. 7 & Exh. 2.

²⁴ Letter of W.J. Sushon to CLC dated May 24, 1989 (attached to Task Force Report).

²⁵ The CompTel survey revealed that it is necessary to use a live operator on approximately 38 percent of such call attempts, due primarily to the fact that callers often prefer
(continued...)

instructions. When call reorigination is utilized, the same costs are incurred plus the investment in the autodialer equipment used to replace the call. In a splashing situation, additional originating access charges, additional switch costs and terminating access charges are incurred because both OSP networks are utilized for the full duration of the call.

Because the cost characteristics of the three transfer methods vary, CompTel believes that it is appropriate to adopt differing rate structures. Both redialing instructions and call reorigination can be completed quickly, and the time and work involved is fairly static. Thus, a flat charge per call attempt²⁶ is a rational way to collect for these services.²⁷ By contrast, transfers accomplished by "splashing" probably should be reimbursed through imposition of both a flat transfer charge (reflecting the cost of setting up the call "bridge") and a usage sensitive element

²⁵(...continued)
to provide calling card numbers verbally. Individual carriers reported a need to utilize a live operator on as many as 72 percent of CIID call attempts.

²⁶ Different flat charges could be assessed depending upon whether live or robotic operator assistance is required, or the costs of live and robotic handling could be averaged to create a single charge.

²⁷ Presumably, since additional cost is involved, the per call charge collected for call reorigination services would be moderately higher than the charge for providing redialing instructions.

(because the transferor OSP must pay access charges and tie up its network for the full duration of the call).

Ultimately, each company must be permitted to propose its own rates for those transfers based on its own cost experience. Alternatively, however, CompTel believes that industry average costs could be used to create a rate with which many OSPs could simply concur. Indeed, the establishment by the National Exchange Carrier Association ("NECA") of an Operator Transfer Service ("OTS") which many LECs have adopted could serve as a model.²⁸

CompTel also believes that it would be reasonable to employ less burdensome approaches to rate-setting using surrogates for OSP costs. The Commission recently employed this approach to establish a proper rate for compensation of private payphone owners for costs incurred in delivering access code calls to OSPs.²⁹ Indeed, some of the same surrogates used in the payphone analysis could serve as a useful starting point in computing OSP call transfer compensation. LEC "0-" transfer services, for example, are analogous to the OSP call transfer services described herein. Among the LEC "0-" transfer offerings, the NECA \$0.46 per call OTS charge probably is most comparable to the cost

²⁸ A copy of NECA Transmittal No. 457 (July 16, 1991) introducing its OTS is included as Attachment C for the convenience of the Commission. Billing clearinghouses have expressed an interest to CompTel in serving such a role.

²⁹ Payphone Compensation Order, ¶¶ 33-40.

incurred by OSPs since, presumably, it is based on the lower demand estimate which reasonably can be expected from relatively small carriers. However, OSP charges must be somewhat higher to reflect the fact that they incur access charges and interexchange transport expense (to the OSP operator center) which the LECs do not experience.³⁰ Another relevant comparison is AT&T's commission payments to call aggregators for delivering "0+" calls to the company. According to the Commission, average AT&T commission payments range up to \$0.46 per call.³¹ Again, however, this number does not reflect either access charge or transport expenses, and would need to be adjusted upward significantly.

However, the most closely analogous charge probably is AT&T's own "Operator Dialed Surcharge." AT&T imposes a \$1.00 per call surcharge to operator service calls when the customer has the capability of dialing all the digits necessary to complete a call, but elects to dial only the appropriate operator code ("0-," "00-" or "10XXX-0-") and requests the operator to dial the called station.³² Just as is the case with OSP call transfers, AT&T's network and operator center is tied up, the operator center must engage in special call processing and access charges are incurred.

³⁰ See id. ¶¶ 35-36.

³¹ See id. ¶¶ 38-40.

³² A copy of AT&T Transmittal No. 4329 establishing the present Operator Dialed Surcharge is included as Attachment D for the convenience of the Commission.

Admittedly, the AT&T Operator Dialed Surcharge is imposed only on completed calls,³³ but this fact is offset by the fact that gross demand for AT&T's service likely far eclipses the number of call transfers which will be made by any other OSP. Thus, the use of reasonable surrogates adjusted to reflect obvious differences in the services compared probably would support call transfer rates at least in the range of \$0.50 to \$1.00 per call attempt.³⁴

Finally, it is worth noting, that unlike the situation encountered in providing compensation to private payphone owners, the billing for operator call transfer services could be a relatively simple process. Transferor OSPs would need only to provide AT&T with monthly invoices stating the number of calls transferred by each transfer method and calculating the aggregate charges due. As AT&T representatives suggested at the FCC Open Forum on this subject held on December 8, 1992, the invoice could be accompanied by call detail on magnetic tape which includes the following information for each "transferred" call attempt: (1) card account number; (2) date and time of the call; and (3) the first six digits (NPA-NXX) of the originating line number.³⁵ This call

³³ Completed calls average 60-70 percent of total call attempts.

³⁴ These figures do not include usage charges on "splashed" calls.

³⁵ However, AT&T would need to provide adequate assurance that use of the data would be exclusively limited
(continued...)

detail would enable AT&T to audit the invoices rendered to it.³⁶ Thus, it does not appear that billing issues present any formidable obstacle to the establishment of OSP call transfer services.

IV. WHATEVER COMPENSATION VEHICLE IS APPROVED, MANDATORY PARTICIPATION BY AT&T IS CRITICAL.

The Commission has sought comment on whether OSP call transfer services should be provided pursuant to tariffs, carrier-to-carrier contracts³⁷ or some special compensation system established by the Commission.³⁸ CompTel believes that any of these vehicles would suffice, and has no strong preference among them. What is much more important is that AT&T be required to subscribe to the OSP transfer services developed regardless of the compensation mechanism selected.

The Commission must realize that the vast majority of the calls in question already are being "transferred" to

³⁵(...continued)
to auditing OSP call transfer invoices, and would not be used for any sales or marketing-related purpose.

³⁶ Since the transferor OSP would bill AT&T for each call attempt, the OSP call detail would not match perfectly with AT&T's call records. However, AT&T could easily apply industry standard factors for "busies" and "ring/no answers" to ascertain whether the invoice is reasonable.

³⁷ Pursuant to 47 U.S.C. § 211.

³⁸ An obvious example is the private payphone compensation plan, where the Commission has ordered designated OSPs to pay aggregate compensation to private pay phone owners amounting to \$6.00 per line monthly. Payphone Compensation Order, ¶¶ 49-54.

AT&T. AT&T, whether unwittingly or by design, is successfully using all of its OSP competitors as cost-free referral agencies. The transferor OSPs must grudgingly comply because they have no reasonable alternative method of disposing of the CIID card calls which they receive. Simply put, AT&T is being asked to pay for services which it receives as a free windfall today. Thus, AT&T has very little economic incentive to pay a reasonable rate to obtain transfer services.

Requiring cost-causers to participate in reasonable compensation systems certainly is not unprecedented. As recently as last May, the Commission ordered 14 OSPs -- dominant and nondominant carriers alike -- to participate in the private pay phone compensation plan.³⁹ In that situation, too, the carriers were receiving call delivery services free of charge, and the Commission compelled them to begin paying for the services of which they were the primary beneficiaries. The Commission must do no less here.

Conclusion

CompTel remains committed to the notion that universal validation and billing of all "0+" calling cards best serves the public interest, and remains hopeful that the Commission will reconsider its rejection of such proposals. However, assuming that the Commission does not revisit the "0+" in the

³⁹ Payphone Compensation Order, ¶ 51.

public domain" concept, the Commission must act quickly to insure that OSPs are adequately compensated for the costs involuntarily imposed upon them by the issuance of proprietary "0+" calling cards. Competitive OSPs already have shouldered the growing burden of "transferring" CIID card calls for more than a year. CompTel respectfully requests that the Commission act quickly to insure that this inequity does not continue unremedied into 1993.

Respectfully submitted,

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ASSOCIATION**

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ATTACHMENT A

Washington Post Article
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BUSINESS

When Phone Chaos Is in the Cards

AT & T Move Had Some Bell Atlantic Customers Confused by Bills

By Cindy Skrzycki
Washington Post Staff Writer

Old telephone calling cards don't die, they become the business of your local phone company.

At least that's what Jerry Bennett, a computer consultant in Arlington, found out when his kids forgetfully used his old AT&T calling card number to call home this fall, running up \$54 in charges to an account he thought did not exist.

Bennett, like millions of others, did what he was told by AT&T last November: He tore up his old AT&T calling card when a new one came in the mail. He assumed the old account number was no longer valid.

Wrong.

Instead of passing out of circulation, Bennett's account number was taken over by Bell Atlantic Corp., which supplies his local phone service. Suddenly, he became a Bell Atlantic IQ customer. Bennett's quandary over the charges that showed up on his Oc-

tober telephone bill from Bell Atlantic illustrates the confusion that often surrounds telephone calling cards.

It's an arcane, confusing world where some cards work at some public phones and others don't. A



company like Bell Atlantic may be doing the billing, but the

rates are set by another carrier if it is a long-distance call. Some public phones allow callers to simply use a card and dial zero and the operator; others insist the caller dial a special number to reach the right network and get the correct rate. Some cards use the caller's home phone number as part of the account number; others use scrambled numbers.

For years, AT&T issued calling cards with the customer's home phone and a personal identification number. The local phone company used the same number to charge for its services. AT&T

then issued cards that had 14 scrambled numbers, without making it clear that the old number still worked with the local phone company, which can bill customers for long-distance calls as well.

"It's very complicated and the picture is not getting clearer for the consumer," said Patricia Proferess, MCI Communications Corp.'s director of card and personal 800 marketing.

To make matters more complicated, AT&T decided in April 1991 to issue 25 million "proprietary" calling cards, replacing millions of cards that used to be "shared" with Bell Atlantic and the other regional phone companies, an arrangement that was a remnant of the breakup of the Bell system in 1984.

Though many customers were not aware of the shared system, they may have been carrying an AT&T calling card and a Bell Atlantic card.

Among 15 million AT&T customers, Bennett was part of a minority that didn't have a shared

See CALLING CARDS, B13, Col. 1



BY PETER H. RABINOVITZ — THE WASHINGTON POST

AT&T's Issuing of Proprietary Cards Leads to Billing Confusion

CALLING CARDS, From B10

card. When his new card came in the mail with a scrambled account number, his old AT&T account number, which included his home phone number, should not have been transferred to Bell Atlantic.

The fact that it was transferred upset him. With Bell Atlantic handling the calls, he got billed at AT&T's highest rates. In other words, he learned the hard way that AT&T discounts only apply if he uses AT&T's calling card.

"Someone did a very poor job on mapping out the 'what ifs,'" Bennett said. "In our case, it makes a tremendous difference. We get 25 percent off evening rate calls."

Of course, Bennett would not have had the problem if his children had learned the new AT&T calling card account number, even

though the old account number should have gone to credit card heaven.

AT&T and Bell Atlantic, in reviewing Bennett's problem, said the case is rare. In fact, most customers have the opposite problem: They wanted their old calling card number to default to Bell Atlantic so they can keep using it.

Mark Heckendorn, a telecommunications consultant in Washington, said the average consumer doesn't even know what to complain about. "They just know something is wrong."

But when some consumers realized what was going on, they let out a yelp.

So did the local phone companies. Colleen Boothby, associate chief of the tariff division at the Federal Communications Commission, said AT&T incorrectly informed its former local phone partners that customers wanted their accounts closed out.

The local companies then scrambled to tell their customers that their account with them was still good.

"We saw total confusion in this," said Linda

"It's very complicated and the picture is not getting clearer for the consumer."

— Patricia Proferess
of MCI Communications Corp.

Williams, Bell Atlantic product manager for call-completion services. "We also saw a marketing opportunity."

Bell Atlantic seized that opportunity by

sending out IQ cards to customers who didn't get new proprietary AT&T cards last year because they weren't making enough calls. It sent out letters with replacement cards telling customers that Bell Atlantic had assumed responsibility for their old AT&T account.

AT&T said it initially told clients to tear up their cards to save them confusion and higher rates if they used the old account number. It also told customers they would lose any long-distance discounts if they used the card issued by their local phone company.

"This is a transition period. It's very confusing and complicated and customers have felt a degree of frustration. But most of that is behind us," said Ron Gramaglia, division manager of government affairs for AT&T.

In Bennett's case, Gramaglia admitted that there was a communication mix-up between AT&T and Bell Atlantic. But he also pointed

out that it was up to Bell Atlantic to determine if Bennett had a valid account.

The FCC, in an attempt to mop up the mess caused by the changeover to proprietary cards, admonished AT&T, telling it that it may have misled consumers "into destroying otherwise valid cards to their detriment as well as the detriment of other issuers of telephone credit cards that compete with AT&T in this market."

Earlier, the FCC also told AT&T that it had to educate consumers on how to use its new proprietary card at pay phones, particularly those not already subscribed to AT&T.

As far as the \$54 in charges that Jerry Bennett protested, Bell Atlantic forgave them and deactivated his account.

But his story doesn't end there.

He just got another Bell Atlantic IQ card in the mail. It has his old AT&T calling card account number on it.

ATTACHMENT B

ECSA/CLC Call
Splashing Report